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SUBJECT: FORMER PRESIDENT FREI UNDERSCORES IMPORTANCE OF CHILE'S RELATIONSHIP WITH THE U.S.

¶1. Summary: In a strong public statement of support, Senate President Eduardo Frei characterized the U.S.-Chile relationship as "win-win" at a July 13 AmCham presentation. Despite occasional policy differences with the U.S., Frei emphasized that Chile is a reliable and stable partner in the midst of increased anti-U.S. sentiment in the region. He warned of the dangers of rising populism in Latin America and how this trend harms Chilean interests, particularly in attracting foreign investment. Noting education as a top Chilean priority, Frei called for greater U.S. engagement through increased investment in research and development and scientific and technology exchanges. Alluding to Venezuela, he said Chile should not support any country for a UNSC seat that intervenes in others' affairs. End Summary.

¶2. President of the Senate (and former President) Eduardo Frei described Chile's ties with the United States as a "win-win" relationship during an AmCham event on July 13. He praised President Michelle Bachelet's June 8 visit to Washington as "excellent" and said it symbolized the priority the U.S. places on Chile. The current strong bilateral relationship is the result of a long-term Chilean policy, which has contributed to the country's economic achievements and many free trade agreements. Chile's growing trade with the United States, particularly as a result of the Free Trade Agreement, is proof of that.

¶3. At the same time, Frei chided the U.S. for not having a consistent Latin American policy and for "not making the needed political investment in Chile's neighbors." Chile itself is a "serious, solid partner," but it sometimes loses out because it is a mostly developed country - somewhere in between the gravitas of the First World and the foreign assistance offered to the Third World.

¶4. Although Chile is a small country of 15 million people, Frei emphasized the country's importance as a "trustworthy Latin American friend for political and economic investment." Amidst rising anti-U.S. sentiment in the region, Chile is an unwavering U.S. partner. And despite occasional differences, such as Iraq policy, the bilateral relationship is solid, based on mutual respect. Frei pledged that Chile would always maintain an "honest, frank, and credible" relationship with the U.S., with "no cheap shots" at U.S. foreign policies.

¶5. Turning to the other side of the Pacific, Senator Frei praised the Asia-Pacific Economic Cooperation forum (APEC) as "a great success for Chile." Trade with major Asian partners like China, Korea, and Japan had soared, and now accounted for 30-35 percent of Chile's trade.

¶ 16. Frei acknowledged that USG attention is focused on the global issue of counter-terrorism. At the same time, however, the U.S. should not withdraw from regional challenges to only concentrate on international ones. Increased attention should be given to Latin America, which represents a young population of 500 million people and a region full of natural resources. He urged the U.S. "to show it can maintain a strong relationship with Chile."

¶ 17. Frei expressed concern over Chile's poor quality of education, a potential impediment to further development. Chile spends nearly 20 percent of its budget on education, but doesn't deliver in terms of resources for research and development (0.5 percent of GDP). High tech products account for only 3 percent of Chile's total exports, but 45 percent in Costa Rica. He urged greater U.S. engagement with Latin America, particularly through increased scientific and technology exchanges and investment in R&D.

¶ 18. Senator Frei warned against rising populism in Latin America, noting that those leaders offer false hopes and exacerbate the root causes of poverty. "There is no such thing as a get rich quick panacea." The danger of populism was such that potential investors would lump all of Latin America together as unstable and unpredictable. This would hurt Chile, as investors would not take any additional risk for an already small market.

¶ 19. Without mentioning Venezuela by name, Frei said selecting a responsible candidate for the UNSC seat -- and not supporting a country that intervenes throughout Latin America -- would best serve Chilean interests.

¶ 10. Comment: The Senate President's positive description of U.S.-Chilean relations is notable, particularly because it comes from an influential statesman and former President with legislative and executive branch perspective. Frei still plays an important role in Concertacion politics - and some outspoken admirers in the AmCham crowd suggested he could be a presidential candidate next time around.

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